



# CURRENCY

## Committee on Financial Services

**Michael G. Oxley, Chairman**

**For Immediate Release:**

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### **OXLEY MOVES BILLS TO STOP GOVERNMENT TAX GRAB ON INVESTORS, CHANGE BANK LAWS TO BENEFIT SMALL BUSINESS**

#### **LEGISLATION WOULD SAVE OHIO WORKERS AND RETIREES \$8.5 MILLION**

House Financial Services Chairman Michael G. Oxley successfully moved two pieces of legislation through the full Committee today: one to stop the government tax grab on investors and the second to benefit small business. Oxley hopes to bring both bills to the House floor soon.

#### **Stop Government Tax Grab on Securities Trades:**

Introduced by U.S. Rep. Vito Fossella (NY), H.R. 1088, the Investor and Capital Markets Fee Relief Act, was passed by voice vote.

"Whether bull or bear, the markets have become a cash cow for the U.S. government," said Oxley. "Since 1990, American investors have been overcharged \$9.2 billion. This money rightly belongs in the accounts of American investors, not government coffers."

It would save American investors \$14 billion over 10 years by reducing five hidden taxes, most notably a tax on securities transactions. This fee is charged whenever securities are bought or sold, thus hitting any American who owns stock, mutual funds, 401(k) plans, life insurance policies or participates in a public or private retirement plan.

To cite just one example, members and retirees of four Ohio public retirement systems\* paid \$706,000 in excess fees in the year 2000. Over ten years, the members and retirees of those systems will lose \$8.5 million (assumes a modest 5 percent return on capital).

Capital Markets Subcommittee Chairman Richard H. Baker (LA) said, "The federal government should be encouraging more Americans to invest responsibly and safely for their futures, not targeting them as a revenue source for unrelated government spending and limiting the full potential of their long-term hopes and dreams."

Originally intended as a user fee to pay for government oversight of the capital markets, the charges are now out of control. The excess goes to general revenue and funds other Washington spending.

This year alone, about \$2 billion in excess fees will go into the government cash register. In 2000, more than six times the amount needed to fund the Securities and Exchange Commission was collected.

H.R. 1088 was introduced on March 19. The bipartisan measure currently has 41 cosponsors. Original cosponsors include: Baker; Oversight and Investigations Chair Sue W. Kelly (NY); U.S. Rep. Carolyn B. Maloney (NY); and U.S. Rep. Joseph Crowley (NY).

### **Abolish Antique Banking Laws That Harm Small Businesses:**

Introduced by Chair Kelly, H.R. 974, the Small Business Interest Checking Act, was passed by voice vote. Legislation previously introduced by U.S. Rep. Patrick J. Toomey (PA), H.R. 1009, was incorporated.

The legislation would abolish a Depression-era ban that prohibits financial institutions from offering interest on business checking accounts. Also, it would allow the Federal Reserve to pay interest on certain bank reserves.

Regarding the legislation, Oxley said, "The government refuses to pay interest on bank deposits and forbids banks to pay interest on business checking deposits. In both cases, government policy is simply wrong. No more interest-free loans for the government."

Small businesses have disproportionately suffered under the ban because they are typically unable to take advantage of complex banking mechanisms used to skirt the ban.

Financial Institutions Subcommittee Chairman Spencer Bachus (AL) said, "Small business owners, particularly those in rural areas, and small-town bankers are the folks who lose. Smaller banks do not have the resources and technology to offer more sophisticated types of accounts, so they lose their ability to offer competitive services to their customers."

The owner of a typical, five-employee small business loses about \$3,000 per year because he is unable to earn interest on his business checking account. This amount could pay for three new computers or a one-year lease on a vehicle, items that would make a meaningful contribution to the small business owner's success.

\*The four plans are the Public Employees Retirement System, the State Teachers Retirement System, Ohio Bureau of Workers Compensation, and the Ohio Police and Fire Retirement System.

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